

SENATE TAX

Exhibit No.

3

Date

2-25-19

Bill No.

SB 241

University of Montana
ScholarWorks at University of Montana

Institute for Tourism and Recreation Research
Publications

Institute for Tourism and Recreation Research

10-12-2016

An Assessment of the Resort Tax: Collections and Usage in Montana Communities

Kara Grau

The University of Montana - Missoula

Let us know how access to this document benefits you.

Follow this and additional works at: https://scholarworks.umt.edu/itrr_pubs



Part of the [Economics Commons](#), and the [Leisure Studies Commons](#)

Recommended Citation

Grau, Kara, "An Assessment of the Resort Tax: Collections and Usage in Montana Communities" (2016). *Institute for Tourism and Recreation Research Publications*. 347.

https://scholarworks.umt.edu/itrr_pubs/347

This Report is brought to you for free and open access by the Institute for Tourism and Recreation Research at ScholarWorks at University of Montana. It has been accepted for inclusion in Institute for Tourism and Recreation Research Publications by an authorized administrator of ScholarWorks at University of Montana. For more information, please contact scholarworks@mso.umt.edu.

An Assessment of the Resort Tax

Collections and Usage in Montana Communities

Kara Grau, M.S.

10/12/2016



This report attempts to quantify resort tax collections in Montana communities which have adopted the tax, as well as to assess the benefits of the collected taxes to those communities.

An Assessment of the Resort Tax

Prepared by
Kara Grau, M.S.

Institute for Tourism & Recreation Research
College of Forestry and Conservation
The University of Montana
Missoula, MT 59812
www.itrr.umt.edu

Research Report 2016-13

October 12, 2016

This study was funded by the Lodging Facility Use Tax

Copyright© 2016 Institute for Tourism and Recreation Research. All rights reserved.

Abstract

This report focuses on ten Montana communities that have been designated resort areas by the Montana Department of Commerce and voters in those communities have approved a local Resort Tax. The Resort Tax, according to state statute, cannot exceed three percent, and can be collected on luxury items and on goods and services sold at establishments that cater to travelers, such as hotels and restaurants. The intent of the Resort Tax is to provide revenue to aid the communities in maintenance or improvements to infrastructure as well as having the potential to fund other community improvements or programs. Resort tax revenues can offset the burden of a small community hosting a large number of tourists, whether it be throughout the year, in a community such as Big Sky, or seasonally, such as in Craig.

Table of Contents

Abstract.....	1
Table of Contents.....	2
List of Tables and Figures.....	2
Introduction	3
Local Resort Tax in Montana.....	3
Local Resort Tax Information	3
How to Designate a Town or Area	3
After a Community Has Been Designated.....	3
Resort Tax Revenues.....	4
Resort Tax Communities	6
Big Sky	7
Cooke City	8
Craig	8
Gardiner	9
Red Lodge.....	10
St. Regis.....	10
Virginia City	11
West Yellowstone	11
Whitefish.....	12
Wolf Creek	13
Summary and Conclusions.....	14
Appendix A: Big Sky Resort Area District	15
Appendix B: West Yellowstone	17
Appendix C: Whitefish.....	19

List of Tables and Figures

Table 1 - Projects Funded with Resort Tax Revenue	5
Table 2 - Resort Tax Overview	7
Table 3 - Craig, MT Annual Resort Tax Revenue	9
Table 4 - Red Lodge, MT Annual Resort Tax Revenue	10
Table 5 - Whitefish, MT Resort Tax Revenue.....	13
Figure 1 - Montana's 10 Resort Tax Communities	6

Introduction

The intent of the resort tax in Montana is to allow communities with small populations but relatively high numbers of visitors to offset the cost of hosting those visitors. Despite the fact that those visitors provide a significant benefit to the local economy when they spend time and money in the area, they put pressure on the infrastructure of the community. Likewise, hosting a large number of people in a community with only a small number of residents may mean that there simply is not an infrastructure in place to support that many people. Resort tax revenues can be used to benefit the communities, which in turn can benefit the visitors. There have been many improvements within resort tax communities that would not have been possible without resort tax funds.

Local Resort Tax in Montana

As described by the Montana Department of Revenue (<http://revenue.mt.gov/localresort-tax>):

Local Resort Tax Information

Resort taxes serve the function of creating a funding source for some communities and resort areas to finance a variety of services. They are collected in certain Montana communities and areas that meet specific population and economic conditions.

The maximum resort tax rate is 3 percent (7-6-1503, MCA), and at least 5 percent of the resort tax revenues must offset municipal property taxes (7-6-1507, MCA). Before collecting resort tax revenue, a community (incorporated) or area (unincorporated) must first be designated by the Department of Commerce as a resort community/area (7-6-1501, MCA). Then, a resolution outlining the tax must be approved by the local electorate (7-6-1504, MCA).

How to Designate a Town or Area

Under Montana State Law (7-6-1501, MCA), the Montana Department of Commerce is responsible for designating a town or unincorporated area as a resort community or resort area. The process for making this designation includes certifying the population of the community is less than 5,500 for an incorporated town and less than 2,500 for an unincorporated area based on population figures from the most recent federal census. Also, the Montana Department of Commerce must conclude that the major portion of the community or area's economic well-being is derived from businesses catering to non-business travelers.

After a Community Has Been Designated

Once a community has been designated a resort community or area, a ballot initiative is required to implement the tax. Once voters approve the initiative, implementation of the resort tax

begins on the designated day. As shown in Table 2 six of the ten current resort area communities impose a tax twelve months of the year. Four of the areas collect the tax only during the months in which they have more tourists: Craig (April 1 – November 15), Gardiner (June 1 – September 30), Virginia City (April 1 – October 1) and Wolf Creek (April 1-November 15). The local electorate must decide on the rate, the duration of the tax, the effective date, and how the revenue is to be allocated. Section 7-6-1503, MCA explains,

(a) The resort tax is a tax on the retail value of all goods and services sold, except for goods and services sold for resale, within the resort community or area by the following establishments:

- (i) hotels, motels, and other lodging or camping facilities;
- (ii) restaurants, fast food stores, and other food service establishments;
- (iii) taverns, bars, night clubs, lounges, and other public establishments that serve beer, wine, liquor, or other alcoholic beverages by the drink; and
- (iv) destination ski resorts and other destination recreational facilities.

(b) Establishments that sell luxuries shall collect a tax on such luxuries.

Luxuries are defined as any gift or luxury item normally sold to the public or tourists with the exception of: unprepared food, medicine or medical supplies, appliances, hardware supplies and tools, or any necessities of life (7-6-1501, MCA). Existing resort tax resolutions include sporting good rentals, books, magazines, souvenirs, and even antiques as luxuries.

Resort Tax Revenues

It is up to each community to determine a system for administration and allocation of resort tax revenues. The funds generally support infrastructure improvements and community projects. Past allocations of funds in the various resort areas are listed in Table 1.

An Assessment of the Resort Tax | 2016

Table 1 - Projects Funded with Resort Tax Revenue

Community	Projects Completed	
Big Sky	Arts Council	Parks District
	Chamber of Commerce	Post Office
	Community Corporation	Recycling
	Fire Department	School District
	Food Bank	Search and Rescue
	Gallatin Canyon Bike Path	Sheriff
	Gallatin County Emergency Management	Shooting Range
	Gallatin County Planning-Zoning Map	Skating and Hockey
	Gallatin River Task Force	Ski Education
	Habitat Study	Snowmobile Association
	Jack Creek (Madison Conservation)	Tennis Courts
	Land Trust	Transportation District
	Library	Visit Big Sky
	Morningstar	Warren Miller Performing Arts Center
	MSU Big Sky Institute	Water and Sewer
	Noxious Weeds	Women In Action
	Owners Association	
Cooke City	Community Center construction	Snowmobile trail grooming equipment
	Equipment upgrades for fire department and EMS	Upgrades to water system
Craig	New Training Center roof	Easements for land for wastewater project secured
	Training Center renovations and repairs	Wastewater project engineer contracted
Gardiner	Electric Peak Arts Council - portable sound system	Gardiner Chamber of Commerce - flagpoles and lighting in front of Park Street Visitor's Center
	Entre Nous - maintenance on Scout House	Greater Gardiner Community Council - structural analysis and preservation of Community Center
	Upper Yellowstone Roundup Association - bleachers and bucking chutes at Rodeo Grounds	Greater Gardiner Community Council - Highway 89 South Pocket Park by Outlaw's Plaza
	Greater Gardiner Community Council - sidewalk work on north side of town	Gardiner Park County Water and Sewer District - water and sewer improvements
Red Lodge	Water line replacement	Purchase of equipment for water and sewer department
	Sewer line replacement	Purchase of police vehicles
	Purchase of equipment for public works	Park improvements (trees, walking paths)

An Assessment of the Resort Tax | 2016

St. Regis	Highway 135 beautification project (sidewalks, trees, lights along corridor); continuation of similar project	Tourism promotion
Virginia City*	Built new firehall Fire district increase	Bathrooms in community center New roof on community center
West Yellowstone	Fire protection water system (1987) Storm Sewer System(1987) Street and Sidewalk project (1988) Whiskey Springs Water Project (1989) Wastewater Blower building (1990) Sewer System renovation (1991 phase 1)(1992 phase 2) Emergency Services Building Construction (1993) Police Station Remodel (1994) Wastewater treatment facility rehab (1994) Fire Truck Purchase (1995) Mill levy reduction from 75 mills to 44 mills (1996) Snow removal equipment, police vehicles, general fund expenditures towards community programs (1986-96) Infrastructure maintenance and repair, Ambulance purchase, street sweeper purchase (1997) Sewer Lagoon construction, ice skating rink paving (1998-99) 2 police vehicles purchased, another ambulance and upgrade to ALS, street/alley repair, street lighting and a sewer degradation study (2000)	Full time year-round hire of a recreation coordinator (2003) Trailhead building (2004) Ladder truck purchase (2005) 2 new Police vehicles, 2 dump trucks (2006) Tennis courts (2007) Marketing & Promotions fund inception (2007). Not RT directly but a portion of the admin fee due to businesses that collect the tax Wheel Loader purchase, new roof for the library (2009) Hebgen Baskin Fire District now supported by Town annually to tune of over half a million dollars. (2009-present) Canyon Street project, new playground equipment (2010) 2 new police vehicles, UP Dining Lodge window replacement project, new streetlights, parking lot at Povah Center.(2011) Healthcare services subsidy (2011 – present) Clinic Remodel, UPDL Kitchen remodel, police car purchase, dump truck purchase, Povah Ctr. Parking lot (2012) Clinic Parking lot, (2)Dump truck purchase, Vehicle for Social Services Dept., Backhoe purchase, ATV purchase for spraying weeds, Town Hall Construction project (2012) Alley/Parkway storm drainage project, East-end window project at UPDL , snowblower purchase, clinic roof (2015) Purchase of 80 acres from USFS, Utility pickup truck for Public Services, new Ice rink at city park, Historic Generator building rehabilitation project (2016)

An Assessment of the Resort Tax | 2016

	Historic building roof project , Emergency Response System purchase, snowblower purchase (2001) Mill levy reduction from 44 mills to 43 mills (2002)	And more!
West Yellowstone: used Resort Tax as leverage to gain additional funding	Fire protection system Street/sidewalk construction project Storm sewer project Museum roof UPDL window project	East-end window project Generator building restoration Trailhead facility Tennis courts
Whitefish	<p>STREETS:</p> <p>Baker Avenue (2nd Street to River) Baker Avenue (River to 10th Street) Baker Avenue overlay (10th Street to 19th Street) 7th Street (Columbia Avenue to Pine Avenue) 7th Street (Pine Avenue to street terminus) 19th Street overlay (Baker Avenue to Hwy 93) Columbia Avenue (River to 7th Street) Columbia Avenue (2nd Street to 7th Street) Skyles Place (Wisconsin Avenue to Dakota Avenue) Lupfer Avenue (Entire length) Railway St. (Miles Avenue to O'Brien Avenue) Railway St. (Columbia Avenue to Somers Avenue) Somers Avenue (Railway Street to 2nd Street) Colorado Avenue (Edgewood Drive to Crestwood Court) Community-wide sidewalk replacement project - 84 blocks 6th St / Geddes-Baker Ave to 3rd Street-In progress Central Avenue-Railway to 3rd 6th and Geddes East 2nd Street</p>	<p>PARKS:</p> <p>Riverside Park Bike/Ped Path Baker Street Park Bike/Ped Path Grouse Mtn Park Tennis Court reconstruction Riverside Park Tennis Court improvements Kay Beller Park Construction Memorial Park Basketball Court Resurfacing Baker Park Bike/Ped Path 2nd to Armory Trail East Edgewood Trail Rocksund/Monegan Trail Rocksund Footbridge Ice Den Signage Donation for New Baseball Stadium Parks and Recreation Master Plan Soroptimist Park Play Equipment</p>
Wolf Creek	Maintenance and operation of the sewage disposal system	

Resort Tax Communities

Ten Montana communities have implemented the resort tax after being designated as resort tax communities by the Department of Commerce: Big Sky, Cooke City, Craig, Gardiner, Red Lodge, St. Regis, Virginia City, West Yellowstone, Whitefish and Wolf Creek.

Figure 1 - Montana's 10 Resort Tax Communities

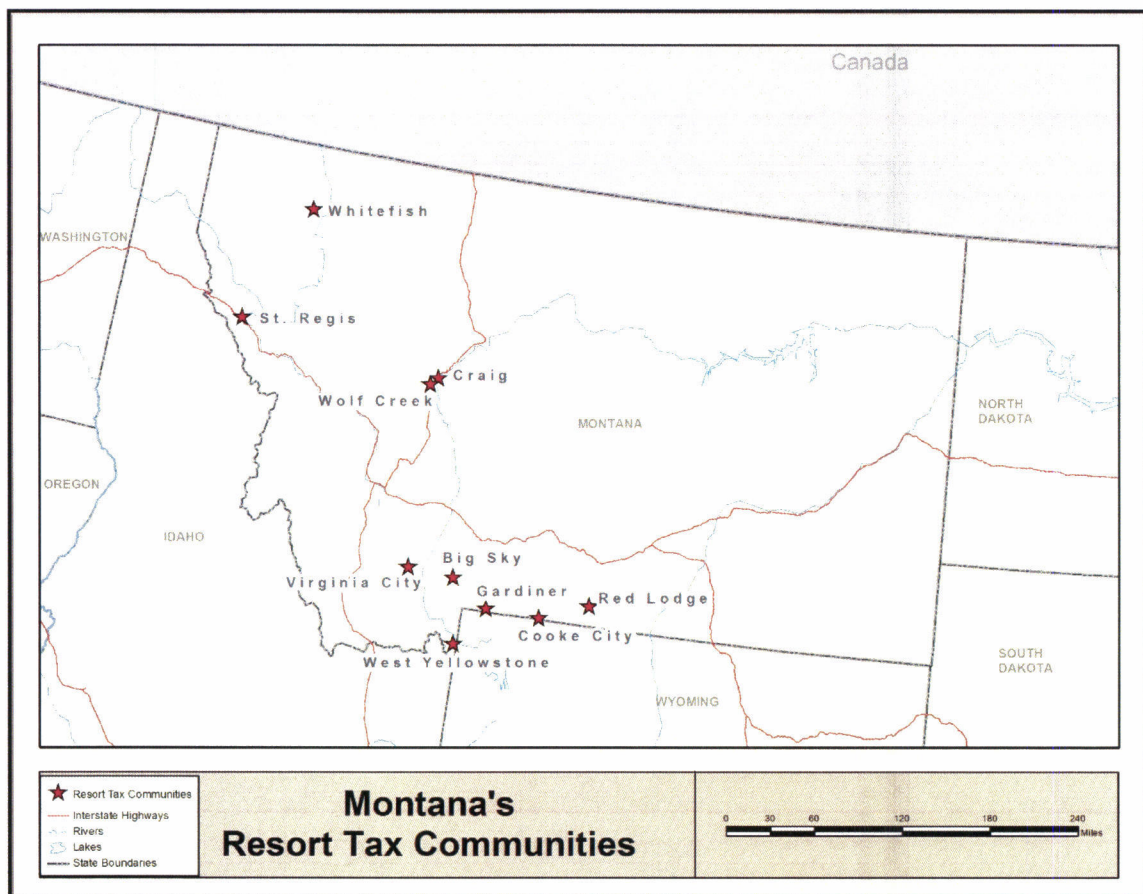


Table 2 summarizes several points of interest regarding the resort tax in these communities, followed by more detailed information for each of the 10 communities which was provided to ITRR by a representative from each resort community.

An Assessment of the Resort Tax **2016**

Table 2 - Resort Tax Overview

	Year Enacted:	2010 Census	Tax Rate:	Collection period:	FY 2015 Revenue
West Yellowstone	1986	1,271	3%	Year round	\$1,710,600
Virginia City¹	1991	190	3%	April 1-Oct 1	\$65,000
Big Sky	1992	2308	3%	Year round	\$4,104,636
St. Regis	1992	319	3%	Year round	~\$190,000
Whitefish	1996	6,357	3% (2% prior to July 1, 2015)	Year round	\$2,205,563
Red Lodge	1998	2,125	3%	Year round	~\$700,000
Cooke City	2006	75	3%	Year round	~\$150,000
Craig	2010	43	3%	April 1-Nov 15	\$120,406
Gardiner	2014	875	3%	June 1-Sept 30	~\$350,000
Wolf Creek	2014	510 (635 in zip code)	3%	April 1-Nov 15	\$25,338

Big Sky

The resort tax was enacted in the Big Sky Resort Area District in 1992 and was set at a rate of three percent of the retail value of luxuries, and goods or services sold at designated establishments. The tax rate has not changed since then, and is collected year-round. The ordinance has been revised over time, and a listing of those changes can be viewed on the Big Sky Resort Area District's very comprehensive website: <http://www.resorttax.org/index.php>. The most recent revision was June 1, 2015, and served to clarify several definitions of terms regarding what items are taxed and at what types of establishments.

Total tax revenues for the Big Sky Resort Area District can be seen in Appendix A. Fiscal Year 2015 saw total collections of over \$4.1 million. The revenue came from a variety of sources: resorts (58%); hotels/motels (7%); restaurants (11.5%) ; retail (8.5%); recreation (2.5%); liquor licenses (3%);

¹ Nittany Grantworks, Inc., 6/27/2014. "Montana Resort Tax Community Assessment: City of Polson." <http://www.cityofpolson.com/pdf/MRTA.pdf>

short term lodging establishments (9.5%); and events (.10%). In Big Sky, the resort tax revenue may be appropriated for infrastructure facilities, public services, including a post office, ambulance and other emergency medical services, public transportation, snow plowing, tourism development and other services that provide for the public health, safety and welfare within the District, in addition to costs associated with the administration of the resort tax. Again, the website referenced above (as well as Appendix A) has a comprehensive list of how the resort tax revenue has been allocated each year, along with the dollar amount allotted for each. Examples include funding for the sheriff's office, search and rescue, fire department, food bank, recycling, and chamber of commerce (See Table 1). Several organizations have been able to use resort tax allocations as leverage to obtain additional funding, including the Arts Council, Gallatin River Task Force and Big Sky Skating and Hockey Association. Please see the Appendix A for more documents related to the Big Sky Resort Area District.

Cooke City

The resort tax was enacted in Cooke City in 2006, at a rate of three percent, which has not changed since that time. The tax is collected year-round on all goods and services sold within the resort area by the following establishments: hotels, motels, and other lodging or camping facilities; restaurants, fast food stores, and other food establishments; taverns, bars, night clubs, lounges, and other public establishments that serve beer, wine, liquor or other alcoholic beverages by the drink; and other destination recreational facilities.

Cooke City has averaged about \$150,000 in resort tax revenues each year since 2006. This revenue is appropriated as follows: five percent for merchant collection fees; 10 percent for property tax relief to property owners within the area; one percent for county administration; and 84 percent for capital improvements, emergency services, tourism development and other local projects as identified which provide for the public health, safety and welfare within the resort area. With resort tax revenues, Cooke City has been able to construct a Community Center, upgrade equipment for the fire department and emergency medical services, as well as upgrade snowmobile trail grooming equipment and upgrades to the water systems. Two projects were able to use resort tax revenues as leverage to obtain additional funding: the Cooke City Water District receives a \$20,000 per year loan agreement with USDA Rural Development and the Cooke City Chamber received a loan for construction of the Community Center.

Craig

Resort tax collections in Craig began in September, 2010. The three percent tax is collected April 1 through November 15 each year. Luxury items, as well as all goods and services sold by the following establishments are taxed during that timeframe: hotels, motels, and other lodging establishments; restaurants, fast food stores and other food service establishments; bars, taverns and other public establishments that serve alcoholic beverages by the drink; and destination recreational facilities. Over \$120,000 was collected during 2015 (See Table 3), with 23 percent coming from bars and restaurants

and 77 percent coming from the sales of fly fishing services, products and lodging at those fly fishing lodges.

The Craig resort tax revenue is allocated as follows: five percent to the establishment to defray administrative costs; 85 percent for the construction, maintenance and operation of a wastewater treatment facility; and 10 percent for the maintenance of the Craig Training Center. With the resort tax revenues, the Training Center received a new roof and had minor repairs and renovations completed on it. The Community is still in the planning/engineering phase of the wastewater project, but to date they have secured the easements for the land and contracted with an engineer.

Table 3 - Craig, MT Annual Resort Tax Revenue

Year	Resort Tax Revenue
2010	\$12,316.47
2011	\$82,423.68
2012	\$87,056.26
2013	\$104,756.36
2014	\$129,507.43
2015	\$120,406.04
2016 to date	\$29,490.45

Gardiner

The three percent resort tax was recently enacted in Gardiner in 2014, and is collected from June through September on luxury items. Revenues have totaled approximately \$350,000 each year, though it is noted that, at the time of this report, some 2015 funds are still outstanding, as several businesses are suing Park County for the creation of the resort tax, and have not yet remitted their taxes for the year. The resort tax funds are allocated in Gardiner as follows: five percent for reimbursement of administrative fee to establishments collecting the tax; 10 percent for property tax relief; 15 percent to the Visitor Center capital grant account (paid to Gardiner Chamber of Commerce) that reverts to the general fund once the Visitor Center is fully funded; 10 percent to the Visitor Center operating account; five percent Community Services and Cultural grants; five percent resort tax district operating expenses; and 50 percent infrastructure and community development grant account including, but not limited to, grants funding emergency services, major transportation improvements or maintenance, water and sewer work, energy efficiency and renewable investment in existing or future public facilities and other local projects as identified by the board.

The revenues have been used for a number of projects in the short time the tax has been collected, including sidewalk improvement, rodeo grounds improvement, and water and sewer improvements. See Table 1 for more detail.

Red Lodge

The resort tax took effect in Red Lodge on January 1, 1998. The three percent tax is collected in Red Lodge year-round on luxury goods, e.g. jewelry, clothing bearing images or emblems of the Beartooth Mountains or Red Lodge, as well as at bars and restaurants. 2015 collections were over \$762,000 *See Table 4), with 25 percent coming from motels, 38 percent from food, 11 percent from liquor, and 26 percent from retail. Resort tax revenues are allocated for water/sewer, park board and police department. With the revenues, water and sewer lines have been replaced, equipment has been purchased for public works and water and sewer departments as well as police vehicles, and improvements have been made to local parks, including trees and walking paths.

Table 4 - Red Lodge, MT Annual Resort Tax Revenue

Year	Resort Tax Revenue
1998	\$470,843.60
1999	\$487,525.88
2000	\$496,904.68
2001	\$478,121.14
2002	\$590,851.44
2003	\$518,047.39
2004	\$562,449.86
2005	\$522,580.76
2006	\$614,828.10
2007	\$645,861.64
2008	\$630,916.58
2009	\$616,786.31
2010	\$653,722.00
2011	\$659,910.18
2012	\$710,102.92
2013	\$688,718.64
2014	\$726,952.90
2015	\$762,430.11
2016 to date	\$124,249.69

St. Regis

A three percent resort tax took effect in St. Regis in 1992. It is a year-round tax on luxury goods and services. Collections are about \$190,000 per year. There is a five-year contract in place providing about \$69,000 per year to the sewer district to keep sewer rates low. Currently, there is a beautification project along highway 135, which is a continuation of a similar beautification project, with resort tax

revenues providing sidewalks, trees and lights along the roadway corridor. The tax revenues are primarily used to promote tourism in the area.

Virginia City

The three percent resort tax in Virginia City was approved by voters in 1993. Using resort tax revenues, Virginia City has been able to build a new fire hall, upgrading from one to three stalls with more equipment. Virginia City funds an increase in the fire district with the resort tax. The community center received a new roof and had bathrooms built. One third of the city budget comes from resort tax revenues, and the city council meets annually to determine how it should be spent.²

West Yellowstone

The resort tax in West Yellowstone was enacted 30 years ago, in 1986, and has been a year-round, three percent tax since that time. The tax on tourism-related luxury items and services has had some revisions over time, the most extensive revision of the ordinance since its enactment was done in early 2015. It was changed mostly to provide clarifying language as to which entities must collect the tax and pay the tax, add/delete or clarify exemptions, and revise (again) the penalty schedule for delinquency. The internet sales of luxury services in particular didn't exist previously and this new technology is now addressed in the ordinance as well. The total collection for the first year of the tax was just over \$500,000. In the subsequent 30 years, collections increased to over \$3,673,000. In West Yellowstone, there is property tax relief equal to five percent of the previous year's collections, and 2.5 percent of resort tax collection goes to the business owner who collects the tax as an administration fee. An additional 2.5 percent (that used to go to the business owner) is now allocated to a Marketing & Promotions Fund which has a town-appointed governing board that administers the distribution of funds for the purpose of promoting the town as a destination for events etc. Approximately 75 percent of the General Fund is subsidized by Resort Tax. Capital Funds are usually funded at 100 percent by Resort tax with the exception of grant monies from organizations partnering with the town for special projects.

Over the course of 30 years, many projects and improvements have been funded with the West Yellowstone resort tax revenues. Just a few examples include remodels/upgrades/construction of several buildings, installation of a storm sewer system and sidewalks, and purchase of police and fire vehicles. Various projects have obtained additional funding, totaling \$1,710,600, when using the resort tax funds as leverage, e.g. fire protection system, museum roof, trailhead facility, etc. (See Appendix B for more detailed information.) As the community with the longest history of resort tax collections, the West Yellowstone resort tax contact had well formulated opinion on how beneficial the resort tax has been to the community:

² Nittany Grantworks, Inc., 6/27/2014. "Montana Resort Tax Community Assessment: City of Polson." <http://www.cityofpolson.com/pdf/MRTA.pdf>

“The resort tax has undoubtedly been a benefit to the overall well-being of the community. In cases where businesses that have come in to “make their millions”, have stayed, and in particular, offer year-round employment this is the greatest benefit. Fire protection, ambulance service, 24/7 police protection and healthcare services, while all are services that we think our tourist population expects to have at their disposal as a visitor, the residents also benefit from having. Other infrastructure such as sewer and water, street and alley construction, street lighting and recreational infrastructure are all to the benefit of the residents and most often are funded by resort tax revenue. Because we are so seasonal still – especially with the new restriction in winter access to Yellowstone National Park – the Town of West Yellowstone has the only Social Services Department as part of the local government in the state of Montana. Services provided include a food bank, clothing bank, application assistance for government programs, and job services. Donations fund the food bank, clothing bank, travel vouchers on the weekly bus to Bozeman, Doctor’s visits and prescriptions the Town supports this department through year-round personnel and the housing of the department.”

This community is an example of how beneficial tourism can be to small communities. Not only is the resort tax allowing West Yellowstone to compensate for the wear and tear of hosting so many visitors, it allows the community to fund necessary and beneficial improvements that would not be possible for the 1,270 or so full-time residents.

Whitefish

Whitefish is the only community to have changed the resort tax rate since it was originally approved by voters. The year-round, two percent resort tax was enacted in 1996, and voters later approved increasing the tax to three percent in 2015. The increase in the tax rate as of July 1, 2015 is to fund the debt service of the acquisition of the Haskill Basin Conservation Easement. The tax is collected on the retail value of all goods and services sold, except for goods and services sold for resale, within the city by the following establishments:

1. Hotels, motels and other lodging or camping facilities;
2. Restaurants, fast food stores and other food service establishments;
3. Taverns, bars, nightclubs, lounges and other public establishments that serve beer, wine, liquor or other alcoholic beverages by the drink;
4. Destination ski resorts and other destination recreational facilities;
5. Establishments that sell luxuries shall collect a tax on such luxuries.

The City Manager can interpret and clarify which items are taxable and non-taxable, but there have been no major changes made in that regard.

During 2015, resort tax revenues in Whitefish were over \$2.2 million (See Table 5). Of that total, 18 percent came from motels; 37 percent came from restaurants and bars; and 45 percent from retail. See Appendix C for more detail. According to the City of Whitefish website, the revenues are distributed as follows:

- Property tax reduction for taxpayers residing in the city in an amount equal to twenty five percent (25%) of the three percent (3%) resort tax revenues derived during the preceding fiscal year (totaling over \$7.2 million since 1996);
- Provision for the repair and improvement of existing streets, storm sewers, all underground utilities, sidewalks, curbs and gutters, in an amount equal to sixty five percent (65%) of the two percent (2%) resort tax revenues derived during the preceding fiscal year (totaling over \$16.0 million since 1996);
- Bicycle paths and other park capital improvements in an amount equal to five percent (5%) of the two percent (2%) resort tax revenues derived during the preceding fiscal year (totaling over \$830,000 since 1996);
- Repayment of a loan or a bond to finance a portion of the costs of, or to otherwise pay for, the acquisition of the conservation easement or other interests, in and around Haskill Basin in order to protect and preserve water quality and quantity, including the source drinking water supply for the municipal water system of the city of Whitefish, in an amount equal to seventy percent (70%) of the one percent (1%) resort tax revenues to be received in a fiscal year, except that if such portion of resort tax revenues received in a fiscal year is more than is needed in that fiscal year for such loan or bond, the excess will be applied to additional property tax relief in the next fiscal year;
- Cost of administering the resort tax in an amount equal to five percent (5%) of the three percent (3%) resort tax per year.

Table 5 - Whitefish, MT Resort Tax Revenue

Year	Resort Tax Revenue	Year	Resort Tax Revenue
FY96 (partial year)	\$269,535	FY07	\$1,606,427
FY97	\$770,074	FY08	\$1,674,770
FY98	\$781,543	FY09	\$1,606,851
FY99	\$834,444	FY10	\$1,539,362
FY00	\$927,595	FY11	\$1,673,624
FY01	\$975,244	FY12	\$1,809,903
FY02	\$1,026,587	FY13	\$1,997,205
FY03	\$1,134,945	FY14	\$2,099,470
FY04	\$1,214,878	FY15	\$2,205,563
FY05	\$1,308,519	FY16 YTD	\$1,209,747
FY06	\$1,442,970		

Wolf Creek

Voters approved the resort tax in September, 2014, and the three percent tax was enacted April 1, 2015. It is collected April through November 15 each year on luxury items and all goods and services sold by the following establishments: hotels, motels and other lodging establishments; restaurants, fast

food stores and other food service establishments; and bars, taverns and other establishments where alcoholic beverages are served. During 2015, over \$25,000 was collected, with 40 percent coming from restaurants and food service establishments, and 60 percent from the sale of luxury items, goods and services. Resort tax revenues in Wolf Creek are allocated as follows: five percent goes to the business for administration of the resort tax; 90 percent or the greater of \$50,000 of the total amount collected in each year for 20 years for the construction, improvement, maintenance and operation of a sewage disposal system. If the annual collection is less than \$50,000 then the total amount of resort tax goes to the sewage system; five percent goes to any of the following as decided by the governing body: other public services, facilities and projects that provide for the public health, safety and welfare within the resort tax area; tourism development for the resort area; any other services, facilities or projects in the resort area as authorized by law.

Summary and Conclusions

Each of the representatives we spoke to share the opinion that the resort tax is most definitely a benefit to the communities in which it has been enacted. Resort tax revenues have provided funding for necessary maintenance and improvement of local infrastructure as well as providing funding for local programs that can enrich quality of life for all community members. While not every resident and business owner within a community may be in favor of the tax that was approved by the majority of voters in the area, the following quote provided in response to ITRR's question regarding whether the tax has been beneficial to the communities seems to sum the matter up quite well:

"...I feel that it has been to the benefit of the community for sure. We have a broad array of nonprofits within our community. During the first year, funding went to the rodeo, the community center, and the arts. By using resort tax funds, the water district was able to make improvements without raising our water and sewer bills. Most of the business owners I spoke to had a record year last year so the tax does not appear to be deterring Gardiner visitation. According to 2015-2016 stats I found online, there are 460 occupied homes in Gardiner. Having a tax allows us to collect from the 1000's of visitors that use the resources of the town, rather than putting a burden on those 460 households. If you simply look at the math, I don't know how it could be anything but a benefit!"

An Assessment of the Resort Tax | 2016

Appendix A: Big Sky Resort Area District

**Big Sky Resort Area District
Appropriations
Fiscal Year 1999 to 2016**

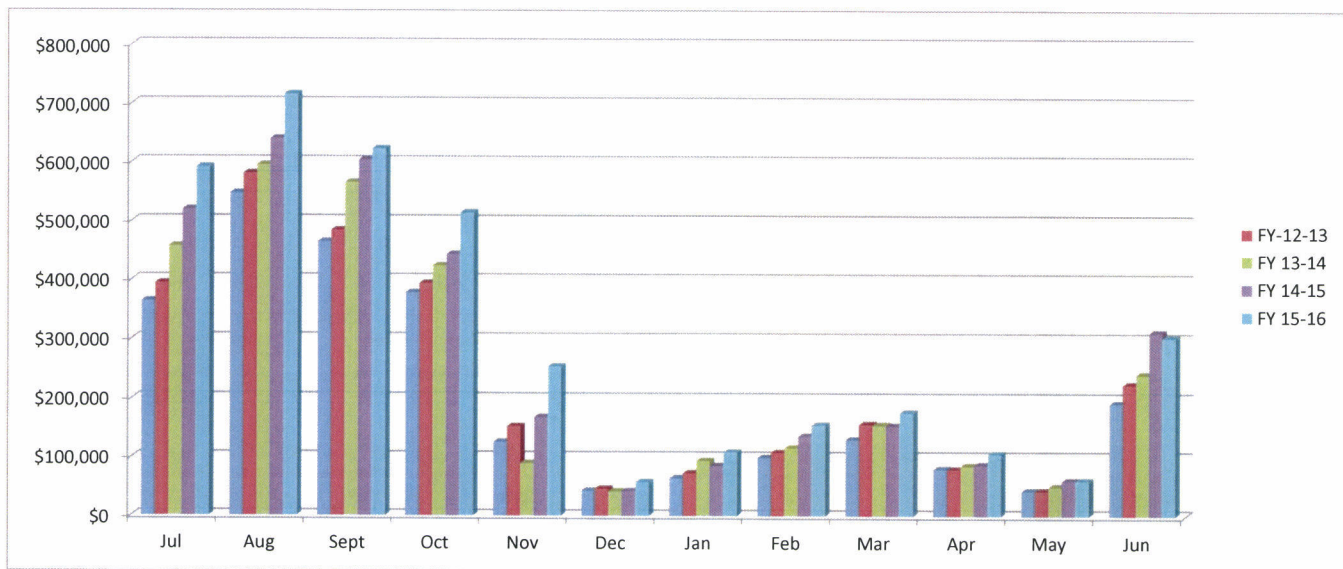
Appropriations	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
Arts Council	22,000	25,000	25,000	20,000	25,000	20,000	30,000	15,000	20,000	140,000	84,403	79,090	71,560	82,775	94,350	100,600	125,700	123,500	1,103,978
Chamber of Commerce	21,380	40,000	82,000	80,000	100,000	60,000	100,375	92,000	108,396	112,000	155,738	380,000	300,000	290,344	595,100	297,000	594,590	314,105	3,723,028
Community Corporation	24,142		67,000	101,181				42,000		395,742	212,596	125,000	365,600	289,600	190,000	421,000	343,220	523,539	3,100,620
Fire Department	297,782	344,814	387,000	432,732	366,084	252,882	338,100	285,000	286,000	363,870	397,724	557,294	350,000	430,000	437,000	494,000	382,000	586,100	7,008,963
Food Bank																	5,218	5,322	10,540
Gallatin Canyon Bike Path	70,150																		70,150
Gallatin County Emergency Management	26,175																		26,175
Gallatin County Planning/Zoning Map					12,095					32,000	10,961	8,880							53,836
Gallatin River Task Force										67,230	94,783	33,000	20,000	33,000	65,000	82,600	97,660	157,433	633,036
Habitat Study	11,700	10,786							39,400										743,036
Jack Creek (Madison Conservation)																			22,466
Land Trust		5,790												2,000	1,490	3,400	2,000	9,250	18,140
Library			28,020	30,000	38,802	38,542	41,246	52,378	58,310	99,500	54,320	47,000	52,000	52,000	68,400	65,000	71,173	76,150	872,941
Morningstar										300,000	175,000		20,000		24,000		64,700	90,800	674,500
MSU Big Sky Institute										115,640	43,000	13,500							229,140
Noxious Weeds										29,640	29,120	19,000	19,000	19,000	19,000	34,300	30,000	37,200	274,260
Owners Association	7,800	54,900	8,400	16,459	188,700	277,255	385,022	471,350	94,710										1,514,566
Parks District																	2,000	7,500	14,500
Post Office		20,000	45,000	7,500			20,000	27,000	35,000	37,500	43,000	45,500	35,000	44,000	35,500	36,500			431,500
Recycling		2,192																	2,192
School District	5,000		14,619							19,275	240,270	121,950	14,700	52,200	10,000	12,000	15,400	31,000	423,980
Search and Rescue	7,000	6,500	15,160	18,000	21,735	19,350	10,780	18,540		104,582	110,267	111,130	122,498	124,410	124,410	288,201	237,062	264,584	2,270,012
Sheriff	78,200	70,117	74,590	89,588	102,112	87,661	93,295	97,609	93,856	100,270									10,000
Shooting Range																			131,221
Skating and Hockey																			221,697
Ski Education			5,050	1,340	7,760	20,140	15,200		35,095	37,500	15,000	8,800							276,350
Snowmobile Association																			59,043
Tennis Courts	11,700	11,900	11,900	13,500	13,500	13,500	14,500	17,000	17,000	17,000	17,650	15,000	12,000	15,000	17,500	17,500	20,000	20,000	193,000
Transportation District																			5,417,345
Visit Big Sky	175,000	189,709	185,000	204,700	222,425	335,950	330,950	361,550	368,633	418,435	304,993	320,000	250,000	290,000	300,000	310,000	375,000	475,000	1,649,123
Warren Miller Performing Arts Center																			776,218
Water and Sewer	50,000	38,292	6,000	55,000	23,415	74,720	209,918	250,000	250,000	220,000	350,000	70,000	67,648	250,000	494,416	55,000	75,000	101,800	1,574,493
Women In Action	5,000	10,000	12,500							10,000	20,000	20,000	20,000	20,800	10,000	50,000	30,000	45,000	233,300
Misc													35,000					270	35,270
New Funds Appropriated	813,009	830,000	967,339	1,100,000	1,180,671	1,700,000	1,589,376	1,798,467	1,816,478	2,621,378	2,226,819	1,993,151	1,781,138	1,951,017	2,573,762	2,750,181	3,237,969	3,595,304	34,025,960
Water & Sewer Bond	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000			7,250,000
Emergency Fund			106,780	50,000															156,780
General/Sliding Fund*					19,339					1,283									2,377,127
New Funds Appropriated + Specific Bond/Funds	\$1,313,009	\$1,330,000	\$1,574,019	\$1,650,000	\$1,700,000	\$1,700,000	\$2,089,376	\$2,298,467	\$2,316,478	\$3,122,661	\$2,726,819	\$2,493,151	\$2,281,138	\$2,451,017	\$2,823,762	\$3,030,357	\$3,968,069	\$4,925,543	\$43,806,867
Rollovers**																			
Chamber of Commerce					5,000			5,033	1,604	8,000							42,585	165,000	227,222
Community Corporation										245,949									220,000
Fire Department									85,000	135,000	445,495		50,000						24,937
Gallatin River Task Force																			183,829
Morningstar																			6,761
MSU Big Sky Institute																			21,316
Owners Association					9,883	10,696	15,200	893,005						7,533					189,843
Parks District																			462,292
Post Office																			2,000
School District										189,843									14,400
Search and Rescue											213,934	248,358							219,416
Skating and Hockey																			17,700
Transportation District																			
Water and Sewer						15,000			50,000	38,921	30,495	50,000	20,000	15,000	8,500				
Women In Action																			
Total Funds Appropriated	1,313,009	1,330,000	1,574,019	1,650,000	1,705,000	1,724,883	2,100,072	2,316,700	2,846,087	3,740,374	3,599,909	2,831,509	2,358,672	2,475,217	2,832,262	3,030,357	4,041,814	5,105,460	46,577,343
	1,313,009	1,330,000	1,574,019	1,650,000	1,705,000	1,724,883	2,100,072	2,316,700	2,846,087	3,740,374	3,599,909	2,831,509	2,358,672	2,475,217	2,832,262	3,030,357	4,041,814	5,105,460	
*Available for appropriation the next year	0	0	0	0	0	0	0	0	-1	0	0	0	0	0	0	0	0	0	0
**Not new funds; rollovers are from the previous year																			

Appendix B: West Yellowstone

An Assessment of the Resort Tax 2016

Resort Tax Collections for the Town of West Yellowstone Fiscal Years 2011-2016, Collections by Month

	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total	FY % Change
FY 11-12	\$364,177	\$547,432	\$464,713	\$378,814	\$126,943	\$43,533	\$65,044	\$100,392	\$131,325	\$81,073	\$43,883	\$193,092	\$2,540,421	1.42
FY 12-13	\$394,959	\$581,421	\$484,531	\$394,594	\$154,195	\$47,401	\$73,622	\$109,121	\$157,783	\$80,524	\$43,624	\$224,910	\$2,746,685	8.12
FY 13-14	\$457,499	\$595,418	\$566,122	\$424,003	\$90,485	\$42,632	\$94,876	\$116,989	\$156,166	\$86,494	\$50,784	\$241,594	\$2,923,062	6.42
FY 14-15	\$519,795	\$640,248	\$603,895	\$443,969	\$169,572	\$43,147	\$86,237	\$137,474	\$154,881	\$88,134	\$60,915	\$311,958	\$3,260,225	11.53
FY 15-16	\$591,955	\$715,839	\$623,376	\$514,636	\$254,702	\$58,441	\$109,780	\$156,311	\$177,196	\$106,997	\$61,176	\$303,085	\$3,673,494	12.68



Figures represent resort tax revenue in the month it was collected by the Town, but was typically generated in the previous month. It may also include penalties and late payments. Effective June 2007, the Town is collecting an additional 2.5% of the tax for the Marketing and Promotions Fund. *FY Change % represents the increase or decrease in collections as compared to the same time prior of the previous fiscal year.

Appendix C: Whitefish

**Resort Tax Collection Report
As of January 31, 2016**

<u>MONTH/YEAR</u>	<u>MOTELS</u>	<u>BARS & RESTAURANTS</u>	<u>RETAIL</u>	<u>COLLECTED</u>	<u>CHANGE FROM PRIOR YEAR</u>
Total FY96 (Partial Yr)	\$ 52,866	\$ 97,611	\$ 119,058	\$ 269,535	
Total FY97	\$ 174,460	\$ 252,003	\$ 343,611	\$ 770,074	185.70%
Total FY98	\$ 179,403	\$ 253,170	\$ 348,971	\$ 781,543	1.49%
Total FY99	\$ 184,293	\$ 283,516	\$ 366,635	\$ 834,444	6.77%
Total FY00	\$ 203,461	\$ 312,893	\$ 411,241	\$ 927,595	11.16%
Total FY01	\$ 204,534	\$ 330,467	\$ 440,242	\$ 975,244	5.14%
Total FY02	\$ 169,316	\$ 386,015	\$ 471,257	\$ 1,026,587	5.26%
Total FY03	\$ 184,947	\$ 423,571	\$ 526,427	\$ 1,134,945	10.56%
Total FY04	\$ 190,816	\$ 476,709	\$ 547,353	\$ 1,214,878	7.04%
Total FY05	\$ 207,487	\$ 522,776	\$ 578,256	\$ 1,308,519	7.71%
Total FY06	\$ 224,740	\$ 567,913	\$ 650,317	\$ 1,442,970	10.28%
Total FY07	\$ 263,894	\$ 620,835	\$ 721,698	\$ 1,606,427	11.33%
Total FY08	\$ 280,814	\$ 633,270	\$ 760,686	\$ 1,674,770	4.25%
Total FY09	\$ 269,389	\$ 587,889	\$ 749,573	\$ 1,606,851	-4.06%
Total FY10	\$ 245,171	\$ 563,798	\$ 730,393	\$ 1,539,362	-4.20%
Total FY11	\$ 274,688	\$ 651,321	\$ 747,615	\$ 1,673,624	8.72%
Total FY12	\$ 314,731	\$ 679,063	\$ 816,110	\$ 1,809,903	8.14%
Total FY13	\$ 345,570	\$ 758,018	\$ 893,617	\$ 1,997,205	10.35%
Total FY14	\$ 384,342	\$ 792,081	\$ 923,047	\$ 2,099,470	5.12%
Total FY15	\$ 407,543	\$ 844,313	\$ 953,707	\$ 2,205,563	5.05%
Total FY16 YTD	\$ 269,709	\$ 483,330	\$ 537,708	\$ 1,290,747	-0.35% #
Grand Total	\$ 4,762,464	\$ 10,037,233	\$ 12,099,815	\$ 26,899,511	5.78% *
<div> <div>% of Total Collections</div> <div>18%</div> <div>37%</div> <div>45%</div> </div>					

*Does not include the change from FY96 to FY97 since FY96 only included 5 months.

3% Tax Rate Effective July 1, 2015 (Start of FY16)